

Message Text

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PAGE 01 MANILA 03369 01 OF 02 220543Z

17

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SS-20 USIA-15 IO-14 AGR-20 DRC-01

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R 210957Z MAR 74 ZDK
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 2070

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 3369

E.O. 11652: GDS

TAGS: EGEN, ETRD, US, RP

SUBJECT: US-RP ECONOMIC NEGOTIATIONS

REF: MANILA 3044

1. ECON/COMMERCIAL COUNSELOR HAS MET WITH INDUSTRY
SEC PATERNO AND FIN SEC VIRATA TO DISCUSS RESULTS
PATERNO MEETING WITH AMERICAN BUSINESS REPS REPORTED
REFTEL. BOTH PATERNO AND VIRATA INDICATE CONSIDERABLE
SATISFACTION WITH THIS ENCOUNTER; INTEREST IN AND ATTENTION TO THE
AMCHAM POSITION PAPER WHICH PROVIDED FOR THEIR USE BY CHAMBER
REPS; AND AGREEMENT ON HOW HANDLING OF SPECIFIC ISSUES
RAISED IN PATERNO/BUSINESSMEN'S SESSION SHOULD BE
PURSUED. OF MAJOR INTEREST TO DEPARTMENT IN PATERNO
AND VIRATA VIEWS ARE FOLLOWING POINTS:

A. RELATION OF CHAMBER CONCERNS TO BILATERAL
TALKS. BOTH FEEL STRONGLY THAT MAJORITY OF MATTERS OF
CONCERN SPECIFIED IN AMCHAM POSITION PAPER SHOULD BE
DEALT WITH OUTSIDE BILATERAL TREATY TALKS. REASONS
ARE (1) BELIEF THAT HANDLING MATTERS OF THIS TYPE THROUGH
BILATERAL NEGOTIATION WILL BE POLITICALLY CONTROVERSIAL
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PAGE 02 MANILA 03369 01 OF 02 220543Z

IN PHILIPPINES, IF NOT NOW, THEN IN DUE COURSE; (2)

DESIRE TO ARRIVE AT SOLUTIONS TO MAJOR INTERNATIONAL BUSINESS CONCERNS WHICH HAVE GENERAL APPLICABILITY TO WHOLE FOREIGN COMMUNITY; (3) AND, IN SHORT, BELIEF THAT SOLUTIONS TO THESE PROBLEMS WOULD HAVE MORE VALUE TO GOP AND CAN MORE EASILY BE DONE IN MANNERS CONSISTENT WITH GOP WISHES, IF THEY UNDERTAKEN OUTSIDE THE NEGOTIATING AREANA.

B. TIMETABLE. WHILE IT IS NOT AS CLEAR ON WHAT TIMETABLE SPECIFIC ACTIONS RESPECTING INDIVIDUAL ISSUES OF CONCERN MIGHT BE UNDERTAKEN, PATERNO AND VIRATA AGREED THAT IT WOULD BE DESIRABLE TO PROCEED WITH ACTION N THESE ITEMS NOW, RATHER THAN WAIT FOR THE OUTCOME OF BILATERAL NEGOTIATIONS.

2. VIRATA AND PATERNO EXHIBITED MINOR DIFFERENCES OF VIEW, IF ANY, ON THE MAJOR ISSUES EXCEPT FOR LAND. THEIR MAIN POSITIONS ARE AS FOLLOWS:

A. RETAIL TRADE. BOTH HAVE RECOMMENDED THE INTERNATIONAL APPROACH TO THIS MATTER AS DISCUSSED IN THE MEETING BETWEEN PATERNO AND AMCHAM REPS. IT WAS EARLIER THOUGHT ACCORDING VIRATA THAT THE SUPREME COURT WOULD BE ABLE TO PROVIDE A SUFFICIENTLY "INTERNATIONAL" SET OF DEFINITIONS, BUT THAT AS YET HAS NOT OCCURRED. THE PLAN IS NOW TO CONSULT REPRESENTATIVES OF U.S., EUROPEAN AND JAPANESE BUSINESS.

B. THE ANTI-DUMMY LAW AND THE LUZON STEVEDORING CASE. VIRATA STATES CATEGORICALLY THAT "WE ACCEPT THE PRINCIPLE OF PROPORTIONAL REPRESENTATION" AND ANTICIPATE THAT THIS PROBLEM CAN BE HANDLED BY DECREE AMENDMENT OF THE ANTI-DUMMY LAW. VIRATA GOES ON TO INDICATE THAT THE ANTI-DUMMY LAW HAS AN UNFORTUNATE HISTORY, SINCE IT WAS PROMULGATED IN THE LATE 30'S DIRECTLY RESPONSIVE TO MOUNTING CONCERN AND SUSPICION AT THAT TIME ABOUT JAPANESE PENETRATION OF THE ECONOMY. HE APPARENTLY INTENDED TO INDICATE IN THIS OBLIQUE FASHION THAT IT IS DOUBTFUL GOP WOULD BE ABLE TO AMEND PRESENT LAW MORE THAN IS NECESSARY TO PROVIDE FOR PROPORTIONAL REPRESENTATION.

C. FORESHORE AND OTHER LEASES OF PUBLIC LAND. VIRATA AND PATERNO FEEL THAT THESE ARE MANAGEABLE
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PAGE 03 MANILA 03369 01 OF 02 220543Z

PROBLEMS ALTHOUGH THERE ARE DIFFERENT CATEGORIES OF SITUATIONS. FORESHORE LEASES OF THE TYPE PRESENTLY HELD BY CALTEX, VIRATA SAYS, WOULD CONTINUE TO BE LEGAL ALTHOUGH VIRATA FEELS THAT THERE MAY BE PROBLEMS RESPECTING "PRIOR RIGHTS" BECAUSE IMMEDIATELY ADJACENT INLAND LAND OWNERS PROBABLY HAVE SOMETHING AKIN TO FIRST REFUSAL RIGHTS ON THE USE OF FORESHORE LANDS. IN RESTRICTED ZONES SUCH AS THE PORT AREA OF MANILA

(EXAMPLES BEING HONOLULU IRON WORKS AND THE SINGER COMPANY), VIRATA NOTED THAT SUCH LEASES CONTAIN CLAUSES SPECIFYING REVERSION OF IMPROVEMENTS TO THE STATE ON EXPIRATION OF THE LEASE. THE ISSUE IN THIS CASE REMAINS ONE OF RENEWABILITY AND TRANSFERABILITY OF LEASE INTEREST.

D. LAND OWNERSHIP. VIRATA INDICATED THAT HE HOPED SOON TO COME OUT WITH THE DECREE ESTABLISHING AGRICULTURAL ESTATE AND INDUSTRIAL ESTATE HOLDING ENTERPRISES. ARNOLD INDICATED PER EARLIER CONVERSATIONS WITH MELCHOR, VIRATAT AND PATERNO THAT IT WOULD BE MOST UNFORTUNATE IF SUCH A STEP WERE TAKEN WITHOUT APPROPRIATE GROUNDWORK AND VIRATA POINTED OUT THATSIMILAR TRUST ARRANGEMENTS COULD BE UNDERTAKEN WITH EXISTING GOVERNMENT ORGANIZATIONS, E.G., THE NATIONAL DEVELOPMENT CORPORATION.

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PAGE 01 MANILA 03369 02 OF 02 212318Z

64

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 OMB-01 TRSE-00 CPR-02 DRC-01 /093 W

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R 210957Z MAR 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2071

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 3369

E. PHILIPPINE-AMERICAN LIFE. VIRATA INDICATED THAT THIS WAS A VARIATION OF THE GENERAL PROBLEM OF LAND OWNERSHIP IN THAT THE PRINCIPAL ASSETS OF THE FIRM INVOLVE REAL ESTATE. HE NOTED, HOWEVER, THAT ALMOST 99 PERCENT OF THE POLICY HOLDERS OF THE FIRM WERE FILIPINOS AND THAT IT WAS QUITE POSSIBLE, THEREFORE, TO JUSTIFY A TRUST WHICH WOULD OBVIATE LAND OWNERSHIP PROBLEMS. VIRATA INDICATED THAT AT ONE STAGE HE HAD SUGGESTED MUTUALIZING PHIL-AMERICAN LIFE IN THE PHILIPPINES WHICH WOULD, OF COURSE, MAKE PREPONDERANT

OWNERSHIP FILIPINO. IN ANY EVENT, PHIL-AM LIFE
MANAGEMENT APPEARS SATISFIED THAT A WORKABLE SOLUTION
EXISTS. (THIS CONFIRMED IN SEPARATE TALK WITH PHIL-AM
PRESIDENT ZALAMEA.)

3. COMMENT: REVIEW OF PATERNO TALK WITH CHAMBER REPS
REVEALS A HIGHORDER OF AGREEMENT ON SEVERAL IMPORTANT
POINTS. FIRST IS INCREASINGLY CLEAR GOP DESIRE TO
HANDLE AS MANY AS POSSIBLE OF THE CHAMBER'S CONCERNS
OUTSIDE BILATERAL GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS.
SECOND, AS A COROLLARY, IS A REITERATION OF PHILIPPINE
RECOGNITION OF THE VALUE OF TAKING THESE STEPS BEFORE
BILATERAL US-RP NEGOTIATIONS ARE ACCOMPLISHED. WE
BELIEVE THESE ARE VERY HOPEFUL DEVELOPMENTS, BECAUSE,
ON THE ONE HAND, THEY CAN MATERIALLY DEFUSE SOURCES OF
POTENTIALLY INCREASING BUSINESS CONCERN OVER THE NEXT
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PAGE 02 MANILA 03369 02 OF 02 212318Z

FEW WEEKS AND, ON THE OTHER, THEY CAN CONTRIBUTE TO A
PHILIPPINE PERCEPTION THAT IMPORTANT ACTIONS IN THESE
FIELDS HAVE BEEN TAKEN UNILATERALLY IN THE SELF-INTEREST
OF THE COUNTRY RATHER THAN UNILATERALLY IN THE SELF-INTEREST
OF THE COUNTRY RATHER THAN BILATERALLY UNDER ANY USG
PRESSURE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, ECONOMIC AGREEMENTS, NEGOTIATIONS, COMMITTEES, LAND NATIONALIZATION, PROPERTY TITLES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA03369
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740061-0074
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740326/aaaaaygg.tel
Line Count: 198
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: MANILA 3044
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2002 by rowelle0>; APPROVED <27 JAN 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US-RP ECONOMIC NEGOTIATIONS
TAGS: EGEN, ETRD, US, RP, (PATERNO), (VIRATA)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005